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EQUIPMENT DEALERS

1986 COST OF DOING BUSINESS STUDY

AGRICULTURAL · INDUSTRIAL · OUTDOOR POWER EQUIPMENT

SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
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FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 9,000 U.S. and Canadian agricultural and industrial equipment dealers as well as to selected non-member U.S. outdoor power equipment dealers. Direct mailings of the forms were made from the National Association headquarters in St. Louis and support mailings were made by cooperating affiliated state and regional associations.

The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of responses were received in the mail survey. In addition, most of the dealers currently using association computer accounting systems throughout the U.S. were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of this booklet are due those who took time out of busy schedules to compile information for this important project.

Number of returns received from all classes of dealers in each of nine U.S. regions (identified on page 14.) and Canada are listed below:

	No. of Dealer-Members	No. of Dealer Participants	% of Dealer Member Participation
Region 1	1,061	82	7.73%
Region 2	795	82	10.31
Region 3	836	38	4.55
Region 4	843	132	15.66
Region 5	930	159	17.10
Region 6	930	120	12.90
Region 7	671	104	15.50
Region 8	692	104	15.03
Region 9	659	77	11.68
Region 10 (Canada)	1,180	136	11.69
	8,597	1,036	12.01

Major-line dealer representation in this year's Cost of Doing Business was also in almost direct proportion to the respective counts of major-line dealer membership in the National Association.

The number of agricultural dealer participants by sales volume category were as follows:

	1985		1984	
Sales Volume	No. of Dealers	% of Total	No. of Dealers	% of Total
To $1 Million	200	22	190	19
$1 Million to $2 Million	319	34	380	38
$2 Million to $3 Million	199	21	214	21
$3 Million and over	216	23	218	22
	934	100	1,002	100

In addition, 61 industrial dealers and 41 outdoor power dealers responded to the survey.

Operating studies by geographical region for agricultural dealers are shown on pages 12-13.

Combined total retail sales of dealers responding in the survey were in excess of $2,000,000,000.

Separate studies of agricultural, industrial and outdoor power dealers are shown on pages 6 and 7. Dealers were classed as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales in the year were these classes of goods.

HIGH-PROFIT STUDIES

Returns used in compiling averages of high-profit dealers represent approximately one-fourth of the particular group. To arrive at these figures, the questionnaire returns were first ranked according to percentage of net profit (or loss) to sales, from the highest profit downward. The best one-fourth of the returns in the array were then selected to be these tabulations — a most interesting and valuable part of the Cost of Doing Business Study.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated in NFPEDA's own computer.

COST OF DOING BUSINESS

In 1986, farm equipment dealers had their fifth consecutive unsatisfactory year of operations. Results of the Cost of Doing Business survey, with 12.01% of association dealer-members reporting, show average profits before taxes of 1.36% of sales and 7.39% return on investment. Nevertheless, these figures compare favorably with last year's 1.15% profit on sales and 5.83% return on investment.

A study of dealer departmental operations for 1986 reveals a mixture of improvement and degradation, viz:

New and Used Equipment:

For the average dealer, whole goods sales were little improved over the preceding year, with new equipment 1.1% better and used equipment 2.6% better than the year prior.

Margins on equipment sales were again disappointing:

	1986	1985
New Equipment	8.61%	8.69%
Used Equipment	3.86	2.85
Total Whole Goods	7.09	6.83

Looking at whole goods inventory turnover, we can see a slight improvement last year over 1985. (The turnover rate is the number of times inventory is bought and sold in a year.) The rate in 1986 was 1.63 compared to 1.42 times turn in 1985. In better years, a turnover of between 2 and 3 times on whole goods was the norm.

Parts and Service

Dealer margins on both parts and service labor have erroded from a year ago. This is disturbing because these are areas of the business in which dealers should maintain profit strength in order to compensate for other losses.

Parts and labor sales were disappointing, increasing only 1.3% and 2.2% respectively in 1986 compared to 1985. Percentage of margin on sales declined as shown:

	1986	1985
Parts	28.82%	29.63%
Service Labor	44.09	45.15

On the average dealer's parts sales of over half a million dollars last year, the actual dollar margin loss was $4,310 which represents a substantial difference in operating profit.

Other Lines

Constituting as it does a diversity of products and services handled by dealers as an adjunct to their equipment business, this item can, and does, vary from year to year according to the experience of the reporting dealers. This year's reporting dealers had low sales of what they classify as Other Lines, representing only about 2.5% of their total business. These sales produced a margin, however, of 16.13% compared to last year's 11.78%.

Rental-Lease Income

Many dealers having low rental or lease sales will account for them as additions to whole goods sales. On the other hand, when the dealership volume is substantial, a separate department or separate accounting is done in order to "track" the performance for management purposes. It is for this reason that rent-lease sales will vary from year to year in the Cost of Doing Business according to the practices of the reporting dealers.

This year's reporting dealers had substantially the same sales and margins as last year's, showing a margin percentage of 43.69% as compared to 45.41 in the year prior.

Total Operating Margin

Summing all of the above, the 1986 margin on total sales was 15.75%, compared to the previous year's record of 15.70%. Last year seems to be a carbon copy of the other.

Profitability vs Sales Volume Size

It comes as no surprise this year, when looking at the net profit results for each of the four sales volume sizes of dealerships, to see that the group of dealers having sales of less than $1 million again had the poorest results on their operations. And, as each succeeding higher sales volume group is looked at, the higher is the profit.

Not that any of the dealer groups had high profits. But for dealers having sales volume in excess of $2 million, the rate of return on net worth provides a glimmer of hope for dealers in the farm equipment business.

Dealers with sales between $2 million and $3 million had average profits of 1.30% of sales and return on net worth of 7.21%. The dealers in the next highest sales category, $3 million and up, had average profits of 1.62% of sales and return on net worth of 10.38% — almost respectable.

The table below draws a picture of the trends in dealer profits, total expense, and important margins:

	Dealer Sales Volume Groups			
	Group "A" Sales Under $1Mil	Group "B" Sales $1Mil to $2Mil	Group "C" Sales $2Mil to $3Mil	Group "D" Sales Over $3Mil
Profit % of Sales	0.42%	1.13%	1.30%	1.62%
Margin % of Sales	19.83	17.96	15.90	14.14
Wholegoods Margin %	9.33	8.85	6.74	6.93
Expense % of Sales	22.27	19.28	16.95	14.70

Profitability vs Geographic Region

Some welcome relief came to the dealers who needed it most, namely, those situated in the corn, beans and wheat section of the country — the heart of America. Of the ten regions of North America separately reported in the Cost of Doing Business both this year and last, only four showed improvement over last year: Regions 5, 6, 7 and 8. The most dramatic improvement occurred in Region 7, Iowa-Nebraska, where over 100 reporting dealers had an average net profit before taxes of 2.04% of sales as compared to the year-prior loss, (0.48%).

Regions 5, 6 and 8 showed profits improving to 1.49%, 1.19% and 1.20% from last year's 0.52%, 0.46% and 0.84% respectively.

Losing the most ground in profit percent of sales were dealers in the northeast who did so well a year ago with the best results of all ten regions. This year, their profits

dropped to 0.70% from last year's 2.46%. Region 2 in the southeast had profits dropping off to 0.59% from the year-ago 1.57%. Region 3 in the mid-south and southwest dropped to 0.71% from the prior year's 1.21%

The very large region which is comprised of all the states from Montana, Wyoming, Colorado and Arizona, westward to the Pacific Coast, has had its second consecutive very poor year. For these dealers, profits dropped still further, to 0.60% from the 1985 result of 0.78%. Heaviest reporting for this region came from dealers situated in California and Pacific Northwest with fewer reports from states of Colorado, Wyoming, Utah, Idaho, Nevada, Arizona and Montana.

Interest Expense

This is one of several items of expense which deserves constant attention of dealers. In recent years it has represented a substantial burden stemming from floor planning and cash flow problems of the vast majority of dealerships in North America. Unfortunately, the 1986 Cost of Doing Business Study shows little relief for dealers on this item of expense.

In this year's study, Interest Expense (which excludes real estate mortgage interest) amounted to $24,555, which is 1.10% of sales, compared to 1.19% a year ago.

Again in 1986, the study shows Interest Expense to be inversely related to sales volume — the smaller the dealer, the higher the percentage in relation to sales, viz: Dealers under $1M sales, 2.12%; $1M to $2M sales, 1.29%; $2M to $3M sales, 1.13%; and over $3M sales, 0.87%.

Salaries and Wages

Total salaries and wages (except service mechanics and other servicemen whose wages are included in cost of sales accounts) paid by the average dealer in 1986 amounted to 6.00% of sales, a decline of .07 percentage points from the year prior.

Adding in employee benefits (payroll taxes, group insurance and pension expenses) brings the total wage and benefit package to 7.66% as compared to last year's 7.80% of sales.

Eliminating the salaries of officers and owners from the above figures for the purpose of more precise comparison of costs for hired employees, gives a total wage and benefit package of 5.93% of sales, down slightly from 1985's 6.00%.

Dealer Balance Sheets

Except for the very smallest dealers, those with sales of less than $1M, there was across-the-board strengthening in ownership equity of reporting dealers. For each of the three sales volume groups of dealers, the results were: Group "B", 31.35% ownership equity; Group "C", 27.12%; Group "D", 28.08%. Gains in ownership equity for these groups of dealers were: 1.87%, 0.18%, and 1.85% of total assets.

Cash position and debt-paying ability of reporting dealers remains approximately the same as a year ago. As noted previously, inventory turnover has shown some improvement, and inventory values are down. Along with this has come a marked improvement in Floor Plan Notes Payable. Unfortunately, this has not yet translated into lower interest expense for the average dealer.

Industrial and Outdoor Power Equipment Dealers

Industrial dealers reporting in this year's Cost of Doing Business Study have prospered, at least in comparison with farm equipment and outdoor power equipment dealers. Net profit before taxes for industrial dealers was 3.24% of sales and a return on investment of 17.24%.

Outdoor power equipment dealers averaged 1.06% of sales on a volume of $1,318,000. Return on investment was a meager 5.38%.

The sales volume cited above, $1,318,000, may seem high for this small type of equipment. However, the reporting dealers are largely dual and are sellers of substantial quantities of farm equipment. The dealers classified as Outdoor Power are those who said they handled more Outdoor Power equipment than any other type. The vast majority of these were over 50% of total sales in outdoor power equipment.

"Telling Like It Is" vs "Teliing Like It Should Be"

Thousands of dealers who use the annual NFPEDA Cost of Doing Business Studies make comparison of their own financial information to the averages, searching for the keys to better performance in their own businesses, based on what other dealers are doing. From this exercise stems the benefit of "telling it like it is".

"Telling it like it should be" is a different exercise. Dealers who are making 4% to 5% on sales, and return on net worth in the 20's(%) do indeed set a good example for the vast majority of dealers who are not so fortunate. These dealers are known as the "high-profit dealers", tabulated separately and included with other dealer averages in the annual Cost of Doing Business Study.

There is a mistaken notion that the only difference between average dealers reporting in the Cost of Doing Business, and the high high-profit dealers is that the high-profit dealers just draw less salary than the others.

Nothing could be further from the truth. High-profit dealers in all the various group tabulations have approximately the same sales volume as the average of the group. They excel in profits because 1) They have better margins on whole goods (over 2% better in the National study); 2) they have better margins on parts, service, other lines and on rent-lease; 3) in all categories of expenses, the high-profit dealer is just a "shade" lower than the average dealer, and this all adds up to a total expense which is 2 full percentage points to the good. This is added in to the profit before taxes for these high-profit dealers — a healthy net of 4.45% of sales and 22.19% on net worth.

When a dealer makes this study, comparing his business to the high-profit dealer averages published in the Cost of Doing Business, he is taking advantage of information which "tells it like it should be". This is his target to shoot at — to help navigate his dealership into more profitable seas.

DEALER BUSINESS TRENDS

(STATISTICS PRESENTED IN CHARTS BELOW ARE FOR THE AVERAGE DEALER FOR THE PAST 10 YEARS.)

FIG. 1
DEALER TOTAL SALES TRENDS

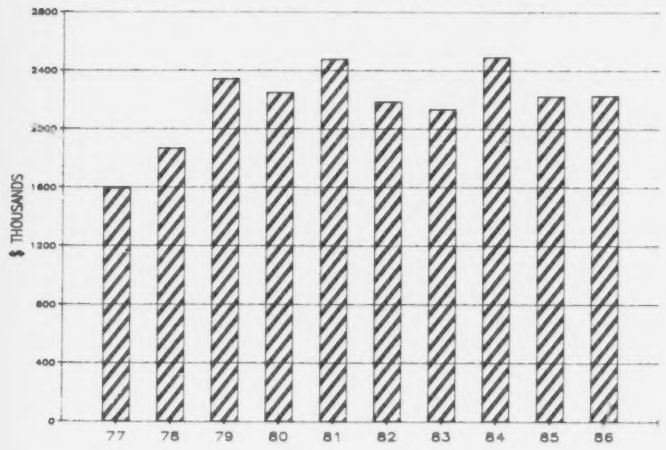


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

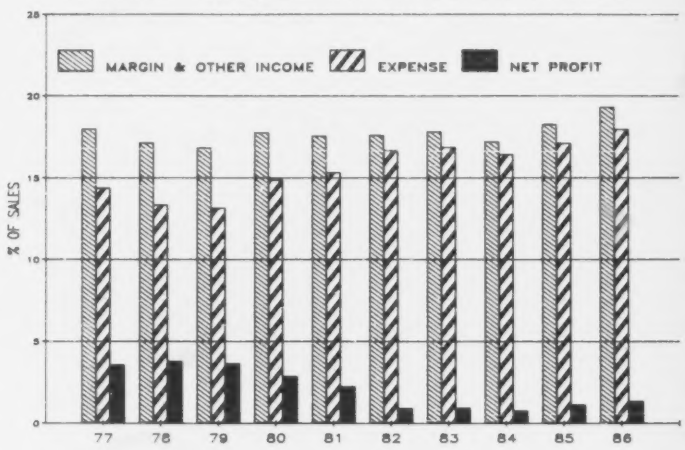


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

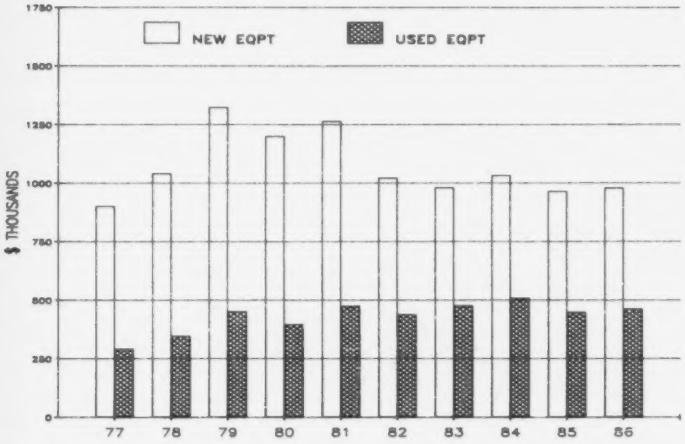


FIG. 4
PARTS–SERVICE–OTHER SALES TRENDS

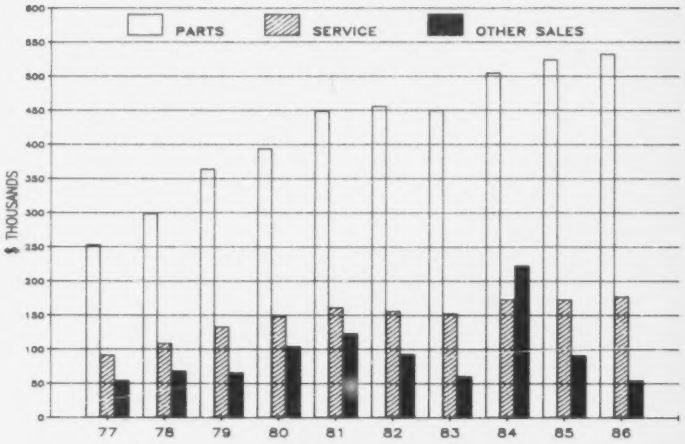


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

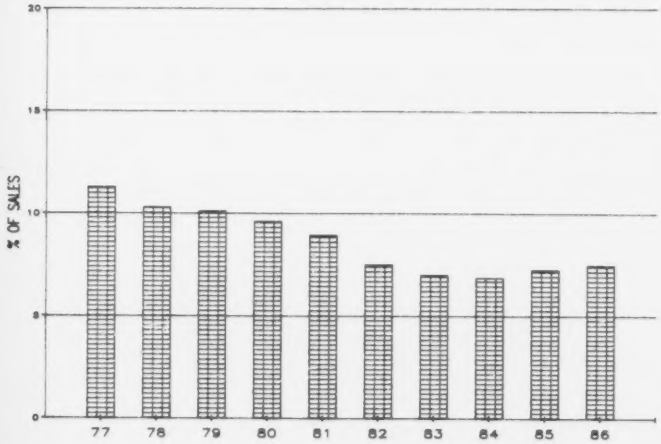
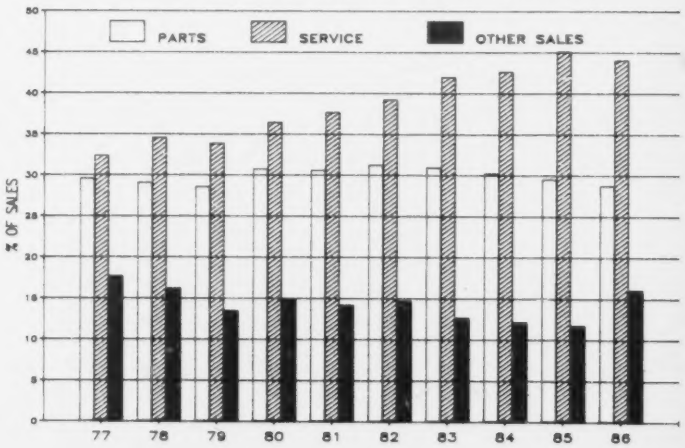


FIG. 6
PARTS–SERVICE–OTHER MARGIN TRENDS



OPERATING DATA — ALL DEALERS

OPERATING AVERAGES	AGRICULTURAL DEALERS Amount	% Sales	INDUSTRIAL DEALERS Amount	% Sales	OUTDOOR POWER DEALERS Amount	% Sales
SALES						
New Equipment	$ 981,593	44.01	$1,809,654	51.93	$ 697,317	52.89
Used Equipment	464,804	20.84	392,368	11.26	136,182	10.33
Total New and Used	1,446,397	64.84	2,202,022	63.19	833,499	63.22
Repair Parts	533,671	23.93	753,380	21.62	311,943	23.66
Service Labor	178,382	8.00	253,902	7.00	111,323	8.44
Other Lines	55,297	2.48	66,706	1.91	56,294	4.27
Rental-Lease Income	16,820	0.75	218,910	6.28	5,270	0.40
TOTAL SALES	**2,230,567**	**100.00**	**3,484,920**	**100.00**	**1,318,329**	**100.00**
MARGINS						
New Equipment	84,560	8.61	236,159	13.05	87,892	12.60
Used Equipment	17,954	3.86	47,684	12.15	15,464	11.36
Total New and Used	102,514	7.09	283,843	12.89	103,356	12.40
Repair Parts	153,816	28.82	229,703	30.49	94,006	30.14
Service Labor	78,653	44.09	102,125	41.87	46,007	41.33
Other Lines	8,920	16.13	12,093	18.13	7,014	12.46
Rental or Lease Income	7,349	43.69	66,707	30.47	1,258	23.87
TOTAL OPERATING MARGIN	**351,252**	**15.75**	**694,471**	**19.93**	**251,641**	**19.09**
EXPENSES						
Salaries — Salesmen	34,903	1.56	79,018	2.27	26,033	1.97
Travel and Training	4,650	0.21	10,161	0.29	2,365	0.18
Advertising and Promotion	15,652	0.70	27,477	0.79	16,316	1.24
After Sales & Warranty Expense	12,511	0.56	14,389	0.41	4,948	0.38
TOTAL SALES EXPENSE	**67,716**	**3.04**	**131,045**	**3.76**	**49,662**	**3.77**
Salaries — Officers, Owners	38,730	1.74	79,408	2.28	25,742	1.95
Salaries — Partsmen	37,487	1.68	56,496	1.62	26,481	2.01
Salaries — Office and Others	22,731	1.02	43,813	1.26	17,195	1.30
Occupancy Expense	36,001	1.61	65,154	1.87	29,386	2.23
Heat, Light, Power, Water	8,684	0.39	12,319	0.35	6,089	0.46
Telephone and Telegraph	8,143	0.37	14,453	0.41	4,881	0.37
Office & Store Exp., and Postage	14,477	0.65	18,531	0.53	8,787	0.67
Shop Supplies and Expense	10,110	0.45	14,776	0.42	5,232	0.40
Car and Truck Expense	20,158	0.90	32,930	0.94	12,311	0.93
Taxes — Except Payroll & Real Estate	3,192	0.14	8,851	0.25	3,082	0.23
Employee Benefits	37,069	1.66	71,736	2.06	27,343	2.07
Dues and Subscriptions	965	0.04	2,158	0.06	623	0.05
Insurance — Except Group & R.E.	17,192	0.77	34,502	0.99	12,881	0.98
Legal and Auditing	4,158	0.19	7,707	0.22	2,740	0.21
Interest & Bank Chgs — Except R.E.	24,555	1.10	41,494	1.19	12,120	0.92
Depreciation	13,493	0.60	22,788	0.65	9,444	0.72
Bad Debts	5,454	0.24	6,057	0.17	3,235	0.25
Contributions and Miscellaneous	2,317	0.10	3,479	0.10	1,068	0.08
TOTAL EXPENSE	**372,632**	**16.71**	**667,697**	**19.16**	**258,302**	**19.59**
NET PROFIT ON SALES	**(21,380)**	**(0.96)**	**26,774**	**0.77**	**(6,661)**	**(0.51)**
OTHER INCOME	**51,731**	**2.32**	**85,973**	**2.47**	**20,683**	**1.57**
NET OPERATING PROFIT OR LOSS —Before Income Taxes—	**30,351**	**1.36**	**112,747**	**3.24**	**14,022**	**1.06**

FINANCIAL DATA — ALL DEALERS

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	AGRICULTURAL DEALERS % Total Assets	INDUSTRIAL DEALERS Amount	INDUSTRIAL DEALERS % Total Assets	OUTDOOR POWER DEALERS Amount	OUTDOOR POWER DEALERS % Total Assets
ASSETS						
Cash and Securities	71,812	5.07	102,755	4.94	53,862	7.31
Customer Receivables	114,539	8.09	226,072	10.87	46,864	6.36
Factory & Other Receivables	26,132	1.85	27,260	1.31	5,620	0.76
TOTAL	**212,483**	**15.01**	**356,087**	**17.12**	**106,346**	**14.43**
INVENTORIES						
New Equipment	607,268	42.90	911,336	43.82	400,514	54.35
Used Equipment	216,527	15.30	158,263	7.61	50,289	6.82
Repair Parts	203,506	14.38	225,738	10.85	96,847	13.14
Other Lines	22,866	1.62	49,538	2.38	14,906	2.02
Rental or Lease	8,791	0.62	146,213	7.03	426	0.06
TOTAL INVENTORIES	**1,058,958**	**74.81**	**1,491,088**	**71.70**	**562,982**	**76.39**
TOTAL CURRENT ASSETS	**1,271,441**	**89.82**	**1,847,175**	**88.82**	**669,328**	**90.82**
Fixed Assets	107,757	7.61	155,203	7.46	49,614	6.73
Finance Reserve and Other Assets	36,360	2.57	77,287	3.72	18,001	2.44
TOTAL ASSETS	**1,415,558**	**100.00**	**2,079,665**	**100.00**	**736,943**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	97,798		212,203		35,517	
Floor Plan Notes Payable	671,308		967,521		358,312	
Notes Payable — Bank and Other	94,010		81,616		35,382	
Mortgages and Other Long-Term	141,896		164,294		47,251	
TOTAL LIABILITIES	**1,005,012**	**71.00**	**1,425,634**	**68.55**	**476,462**	**64.65**
Net Worth	410,546	29.00	654,031	31.45	260,481	35.35
TOTAL LIABILITIES AND NET WORTH	**1,415,558**		**2,079,665**		**736,943**	

INVENTORIES	AGRICULTURAL DEALERS	AGRICULTURAL DEALERS TIMES TURN	INDUSTRIAL DEALERS	INDUSTRIAL DEALERS TIMES TURN	OUTDOOR POWER DEALERS	OUTDOOR POWER DEALERS TIMES TURN
New Equipment	607,268	1.48	911,336	1.73	400,514	1.52
Used Equipment	216,527	2.06	158,263	2.18	50,289	2.40
Repair Parts	203,506	1.87	225,738	2.32	96,847	2.25
Other Lines	22,866	2.03	49,538	1.10	14,906	3.31
Rental or Lease	8,791	1.08	146,213	1.04	426	9.42
TOTAL INVENTORIES	**1,058,958**		**1,491,088**		**562,982**	

PERSONNEL DATA	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	OUTDOOR POWER DEALERS
Average Number of Employees per Dealer	12.40	19.00	9.30
Average Total Sales per Employee	179,884	183,416	141,755
Average Total Assets per Employee	114,157	109,456	79,241
Average Number of Salesmen — Including Owners	2.90	4.70	2.30
Average New and Used Sales per Salesman	498,757	468,515	362,390
Average Number of Partsmen	2.10	3.10	1.70
Average Parts Sales per Partsman	254,129	243,025	183,495
Average Number of Servicemen	5.30	7.70	3.70
Average Service Sales per Serviceman	33,656	31,675	30,087
Average Number of Office Employees	1.50	2.60	1.20
Average Number of Other Employees	0.60	0.90	0.40
Average Wage Rate of Top Mechanic	8.65	9.70	7.67
Average Wage Rate of Regular Mechanic	6.95	7.07	6.27
Average Shop Rate Charged Customers	24.42	27.07	25.00

AGRICULTURAL DEALER OPERATIONS BY SALES VOLUME SIZE

OPERATING AVERAGES	SALES UNDER $1,000,000 AVERAGE Amount	AVERAGE % Sales	HIGH PROFIT Amount	HIGH PROFIT % Sales	YOUR FIGURES Amount	YOUR FIGURES % Sales
SALES						
New Equipment	$246,949	38.09	229,797	37.72		
Used Equipment	97,299	15.01	86,198	14.15		
Total New and Used	344,248	53.10	315,995	51.88		
Repair Parts	228,987	35.32	221,850	36.42		
Service Labor	60,517	9.33	52,411	8.60		
Other Lines	11,626	1.79	15,421	2.53		
Rental or Lease Income	2,913	0.45	3,463	0.57		
TOTAL SALES	**648,291**	**100.00**	**609,140**	**100.00**		
MARGINS						
New Equipment	23,616	9.56	31,609	13.76		
Used Equipment	8,516	8.75	9,701	11.25		
Total New and Used	32,132	9.33	41,310	13.07		
Repair Parts	68,954	30.11	70,121	31.61		
Service Labor	23,341	38.57	21,201	40.45		
Other Lines	2,170	18.67	3,760	24.38		
Rental-Lease Income	1,961	67.32	1,910	55.15		
TOTAL OPERATING MARGIN	**128,580**	**19.83**	**138,302**	**22.70**		
EXPENSES						
Salaries — Salesmen	10,811	1.67	9,104	1.49		
Travel and Training	1,479	0.23	1,213	0.20		
Advertising and Promotion	5,732	0.88	5,340	0.88		
After Sales & Warranty Expense	2,593	0.40	1,178	0.19		
TOTAL SALES EXPENSE	**20,615**	**3.18**	**16,835**	**2.76**		
Salaries — Officers, Owners	15,754	2.43	12,868	2.11		
Salaries — Partsmen	14,132	2.18	12,776	2.10		
Salaries — Office and Others	8,992	1.39	7,939	1.30		
Occupancy Expense	12,919	1.99	10,434	1.71		
Heat, Light, Power, Water	4,196	0.65	3,735	0.61		
Telephone and Telegraph	3,313	0.51	2,604	0.43		
Office and Store Exp., and Postage	4,869	0.75	3,495	0.57		
Shop Supplies and Expense	4,216	0.65	3,446	0.57		
Car and Truck Expense	7,378	1.14	6,041	0.99		
Taxes — Except Payroll & Real Estate	1,481	0.23	1,208	0.20		
Employee Benefits	13,488	2.08	11,401	1.87		
Dues and Subscriptions	669	0.10	508	0.08		
Insurance — Except Group & R.E.	9,552	1.47	7,943	1.30		
Legal and Auditing	1,618	0.25	1,384	0.23		
Interest & Bank Chgs — Except R.E.	13,731	2.12	7,614	1.25		
Depreciation	5,202	0.80	4,023	0.66		
Bad Debts	1,385	0.21	1,283	0.21		
Contributions and Miscellaneous	852	0.13	822	0.13		
TOTAL EXPENSE	**144,362**	**22.27**	**116,359**	**19.10**		
NET PROFIT ON SALES	**(15,804)**	**(2.44)**	**21,943**	**3.60**		
OTHER INCOME	**18,546**	**2.86**	**10,664**	**1.75**		
NET OPERATING PROFIT OR LOSS —Before Income Taxes—	**2,742**	**0.42**	**32,607**	**5.35**		

SALES $1,000,000 TO $2,000,000				SALES $2,000,000 TO $3,000,000				SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
601,381	41.94	581,539	41.33	1,062,816	43.14	1,074,051	43.62	2,144,320	46.13	2,256,316	45.03
258,208	18.01	243,618	17.31	510,921	20.74	551,339	22.39	1,065,479	22.92	1,251,419	24.98
859,589	59.94	825,157	58.64	1,573,737	63.88	1,625,390	66.01	3,209,799	69.05	3,507,735	70.01
407,368	28.41	427,325	30.37	599,320	24.33	540,201	21.94	940,447	20.23	914,228	18.25
123,365	8.60	127,148	9.04	202,359	8.21	191,216	7.77	346,084	7.45	386,823	7.72
33,955	2.37	16,193	1.15	71,556	2.90	81,978	3.33	112,058	2.41	155,062	3.09
9,776	0.68	11,218	0.80	16,778	0.68	23,524	0.96	40,057	0.86	46,684	0.93
1,434,053	**100.00**	**1,407,041**	**100.00**	**2,463,750**	**100.00**	**2,462,309**	**100.00**	**4,648,445**	**100.00**	**5,010,532**	**100.00**
61,127	10.16	73,274	12.60	90,890	8.55	130,066	12.11	169,489	7.90	205,186	9.09
14,967	5.80	20,718	8.50	15,244	2.98	47,436	8.60	33,556	3.15	76,747	6.13
76,094	8.85	93,992	11.39	106,134	6.74	177,502	10.92	203,045	6.33	281,933	8.04
117,024	28.73	123,386	28.87	177,672	29.65	161,794	29.95	264,360	28.11	265,982	29.09
54,060	43.82	58,478	45.99	87,821	43.40	82,419	43.10	157,470	45.50	184,652	47.74
5,064	14.91	2,796	17.27	11,803	15.94	13,834	16.88	18,541	16.55	27,920	18.01
5,310	54.32	7,773	69.29	8,764	52.24	8,142	34.61	14,024	35.01	19,949	42.73
257,552	**17.96**	**286,425**	**20.36**	**391,794**	**15.90**	**443,691**	**18.02**	**657,440**	**14.14**	**760,436**	**15.58**
22,529	1.57	20,196	1.44	37,986	1.54	40,865	1.66	72,508	1.56	73,091	1.46
3,467	0.24	2,703	0.19	5,117	0.21	4,042	0.16	8,889	0.19	11,445	0.23
10,896	0.76	9,848	0.70	17,092	0.69	16,228	0.66	30,481	0.66	32,598	0.65
7,291	0.51	6,996	0.50	14,276	0.58	10,996	0.45	27,723	0.60	22,304	0.45
44,183	3.08	39,743	2.82	74,471	3.02	72,131	2.93	139,601	3.00	139,438	2.78
29,664	2.07	26,763	1.90	43,338	1.76	37,727	1.53	69,048	1.49	63,848	1.27
28,856	2.01	27,296	1.94	41,422	1.68	36,699	1.49	68,134	1.47	64,661	1.29
17,590	1.23	15,711	1.12	24,853	1.01	24,261	0.99	41,030	0.88	36,773	0.73
27,654	1.93	22,207	1.58	40,899	1.66	42,534	1.73	65,094	1.40	57,351	1.14
7,128	0.50	6,503	0.46	9,784	0.40	8,221	0.33	14,107	0.30	11,853	0.24
6,116	0.43	5,634	0.40	8,802	0.36	8,273	0.34	14,978	0.32	14,686	0.29
11,699	0.82	11,026	0.78	15,590	0.65	10,200	0.41	26,084	0.56	23,538	0.47
7,230	0.50	6,740	0.48	12,644	0.51	12,115	0.49	17,457	0.38	19,458	0.39
14,141	0.99	12,118	0.86	22,183	0.90	22,336	0.91	38,944	0.84	43,356	0.87
2,696	0.19	3,064	0.22	4,478	0.18	3,218	0.13	4,321	0.09	4,626	0.09
28,004	1.95	24,376	1.73	43,202	1.75	40,204	1.63	66,542	1.43	63,580	1.27
769	0.05	758	0.05	1,155	0.05	799	0.03	1,351	0.03	1,200	0.02
14,456	1.01	12,058	0.86	19,229	0.78	16,137	0.66	26,399	0.57	23,106	0.46
2,800	0.20	2,315	0.16	4,686	0.19	5,069	0.21	8,017	0.17	7,058	0.14
18,472	1.29	12,860	0.91	27,949	1.13	18,200	0.74	40,374	0.87	34,445	0.69
9,218	0.64	7,404	0.53	13,615	0.55	12,160	0.49	27,322	0.59	28,839	0.58
4,137	0.29	3,319	0.24	6,137	0.25	3,988	0.16	10,523	0.23	7,092	0.14
1,644	0.11	2,295	0.16	2,919	0.12	1,384	0.06	4,105	0.09	3,338	0.07
276,457	**19.28**	**242,190**	**17.21**	**417,716**	**16.95**	**375,656**	**15.26**	**683,431**	**14.70**	**648,246**	**12.94**
(18,905)	**(1.32)**	**44,235**	**3.14**	**(25,922)**	**(1.05)**	**68,035**	**2.76**	**(25,991)**	**(0.56)**	**132,190**	**2.64**
35,072	**2.45**	**24,468**	**1.74**	**57,830**	**2.35**	**43,627**	**1.77**	**101,261**	**2.18**	**72,774**	**1.45**
16,167	**1.13**	**68,703**	**4.88**	**31,908**	**1.30**	**111,662**	**4.53**	**75,270**	**1.62**	**204,964**	**4.09**

AGRICULTURAL DEALER BALANCE SHEETS, FINANCIAL RATIOS AND PERSONNEL DATA BY SALES VOLUME SIZE

BALANCE SHEET AVERAGES	VOLUME GROUP "A" SALES UNDER $1,000,000 AVERAGE Amount	AVERAGE % Total Assets	HIGH PROFIT Amount	HIGH PROFIT % Total Assets	YOUR FIGURES Amount	YOUR FIGURES % Total Assets
ASSETS						
Cash and Securities	$ 33,390	6.10	46,841	9.93		
Customer Receivables	42,031	7.68	37,668	7.99		
Factory Receivables and Other	3,183	0.58	2,390	0.51		
TOTAL	**78,604**	**14.37**	**86,899**	**18.43**		
INVENTORIES						
New Equipment	242,694	44.37	177,474	37.64		
Used Equipment	64,416	11.78	54,830	11.63		
Repair Parts	95,217	17.41	75,896	16.10		
Other Lines	7,272	1.33	10,224	2.17		
Rental or Lease	1,296	0.24	2,531	0.54		
TOTAL INVENTORIES	**410,895**	**75.12**	**320,955**	**68.07**		
TOTAL CURRENT ASSETS	489,499	89.49	407,854	86.50		
Fixed Assets	40,789	7.46	40,347	8.56		
Finance Reserve and Other Assets	16,676	3.05	23,318	4.95		
TOTAL ASSETS	**546,964**	**100.00**	**471,519**	**100.00**		
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	34,622		19,364			
Floor Plan Notes Payable	229,095		166,637			
Notes Payable — Bank and Other	49,651		18,308			
Mortgages and Other Long-Term	57,083		46,435			
TOTAL LIABILITIES	**370,451**	**67.73**	**250,744**	**53.18**		
Net Worth	176,513	32.27	220,775	46.82		
TOTAL LIABILITIES AND NET WORTH	**546,964**		**471,519**			

INVENTORY TURNOVER	Amount	Times Turn	Amount	Times Turn		
New Equipment	242,694	0.92	177,474	1.12		
Used Equipment	64,416	1.38	54,830	1.40		
Repair Parts	95,217	1.68	75,896	2.00		
Other Lines	7,272	1.30	10,224	1.14		
Rental or Lease	1,296	0.73	2,531	0.61		
TOTAL INVENTORIES	**410,895**	**1.26**	**320,955**	**1.47**		

PERSONNEL DATA				
Average Number of Employees per Dealer	6.40		5.70	
Average Total Sales per Employee	101,295		106,866	
Average Total Assets per Employee	85,463		82,722	
Average Number of Salesmen — Including Owners	1.60		1.50	
Average New and Used Sales per Salesman	215,155		210,663	
Average Number of Partsmen	1.10		0.90	
Average Parts Sales per Partsman	208,170		246,500	
Average Number of Servicemen	2.60		2.40	
Average Service Sales per Serviceman	23,275		21,837	
Average Number of Office Employees	0.90		0.70	
Average Number of Other Employees	0.20		0.20	
Average Hourly Wage — Top Mechanic	7.71		8.13	
Average Hourly Wage — Regular Mechanic	6.09		6.58	
Average Hourly Customer Shop Rate	21.51		20.64	

VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000				VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000				VOLUME GROUP "D" SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
68,008	6.60	88,881	9.20	68,663	4.21	76,827	4.92	115,820	4.48	127,497	5.26
93,271	9.04	95,772	9.91	115,813	7.09	110,933	7.10	211,637	8.19	211,023	8.71
17,063	1.65	18,264	1.89	25,834	1.58	27,449	1.76	60,941	2.36	50,113	2.07
178,342	**17.29**	**202,917**	**21.00**	**210,310**	**12.88**	**215,209**	**13.77**	**388,398**	**15.03**	**388,633**	**16.04**
437,453	42.42	389,993	40.35	728,014	44.60	698,988	44.74	1,082,638	41.90	970,079	40.03
139,417	13.52	106,609	11.03	254,202	15.57	223,877	14.33	435,728	16.87	445,841	18.40
164,032	15.91	164,861	17.06	238,752	14.63	227,109	14.54	329,178	12.74	310,659	12.82
15,300	1.48	10,707	1.11	26,822	1.64	30,813	1.97	44,755	1.73	31,738	1.31
4,481	0.43	5,543	0.57	6,316	0.39	7,949	0.51	24,321	0.94	10,339	0.43
760,683	**73.77**	**677,713**	**70.12**	**1,254,106**	**76.83**	**1,188,736**	**76.09**	**1,916,620**	**74.19**	**1,768,656**	**72.98**
939,025	91.06	880,630	91.12	1,464,416	89.71	1,403,945	89.86	2,305,018	89.22	2,157,289	89.02
68,703	6.66	73,303	7.58	128,853	7.89	135,557	8.68	207,611	8.04	196,232	8.10
23,463	2.28	12,555	1.30	39,138	2.40	22,871	1.46	70,938	2.75	70,014	2.89
1,031,191	**100.00**	**966,488**	**100.00**	**1,632,407**	**100.00**	**1,562,373**	**100.00**	**2,583,567**	**100.00**	**2,423,535**	**100.00**
65,978		51,318		135,962		119,846		167,834		174,824	
461,083		418,831		784,630		721,696		1,284,610		1,163,344	
66,726		48,958		114,870		87,843		155,899		85,643	
114,086		81,013		154,219		135,514		249,814		241,080	
707,873	**68.65**	**600,120**	**62.09**	**1,189,681**	**72.88**	**1,064,899**	**68.16**	**1,858,157**	**71.92**	**1,664,891**	**68.70**
323,318	31.35	366,368	37.91	442,726	27.12	497,474	31.84	725,410	28.08	758,644	31.30
1,031,191		**966,488**		**1,632,407**		**1,562,373**		**2,583,567**		**2,423,535**	
Amount	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**
437,453	1.23	389,993	1.30	728,014	1.34	698,988	1.35	1,082,638	1.82	970,079	2.11
139,417	1.74	106,609	2.09	254,202	1.95	223,877	2.25	435,728	2.37	445,841	2.63
164,032	1.77	164,861	1.84	238,752	1.77	227,109	1.67	329,178	2.05	310,659	2.09
15,300	1.89	10,707	1.25	26,822	2.24	30,813	2.21	44,755	2.09	31,738	4.01
4,481	1.00	5,543	0.62	6,316	1.27	7,949	1.94	24,321	1.07	10,339	2.59
760,683	**1.46**	**677,713**	**1.65**	**1,254,106**	**1.56**	**1,188,736**	**1.61**	**1,916,620**		**1,768,656**	
	9.90		9.60		13.70		12.60		19.60		19.20
	144,853		146,566		179,835		195,421		237,165		260,965
	104,160		100,675		119,153		123,997		131,814		126,225
	2.30		2.10		3.10		3.10		4.50		4.60
	373,734		392,931		507,657		524,319		713,288		762,551
	1.80		1.80		2.30		2.00		3.40		3.00
	226,315		237,402		260,573		270,100		276,602		304,742
	4.10		4.20		6.20		5.70		8.40		7.60
	30,089		30,273		32,638		33,546		41,200		50,897
	1.30		1.20		1.50		1.40		2.10		2.00
	0.40		0.30		0.60		0.40		1.20		2.00
	8.23		7.88		8.84		9.60		9.80		10.04
	6.58		6.30		7.02		7.59		8.11		8.14
	23.44		22.79		25.11		26.71		27.48		29.30

AGRICULTURAL DEALER OPERATIONS AND BALANCE SHEETS BY GEOGRAPHIC REGION

	REGION 1		REGION 2		REGION 3		REGION 4	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$1,089,375	50.69	635,658	40.68	992,661	43.28	691,865	44.69
Used Equipment	292,058	13.59	174,388	11.16	385,297	16.80	301,634	19.48
Total New and Used	1,381,433	64.28	810,046	51.83	1,377,958	60.08	993,499	64.17
Repair Parts	509,428	23.70	514,486	32.92	677,929	29.56	402,908	26.02
Service Labor	192,396	8.95	120,587	7.72	189,879	8.28	118,234	7.64
Other Lines	58,607	2.73	107,145	6.86	24,000	1.09	28,015	1.81
Rental Lease Income	7,229	0.34	10,482	0.67	22,854	1.00	5,569	0.36
TOTAL SALES	**2,149,093**	**100.00**	**1,562,746**	**100.00**	**2,293,620**	**100.00**	**1,548,225**	**100.00**
MARGINS								
New Equipment	136,744	12.55	64,537	10.15	72,743	7.33	53,874	7.79
Used Equipment	13,463	4.61	460	0.26	11,363	2.95	24,749	8.20
Total New and Used	150,207	10.87	64,997	8.02	84,106	6.10	78,623	7.91
Repair Parts	142,032	27.88	151,452	29.44	201,686	29.75	120,950	30.02
Service Labor	90,080	46.82	51,887	43.03	73,298	38.60	49,197	41.61
Other Lines	13,617	23.23	20,978	19.58	5,134	20.54	3,385	12.08
Rental Lease Income	5,018	69.41	2,756	26.29	8,616	37.70	2,608	46.83
TOTAL OPERATING MARGIN	**400,954**	**18.66**	**292,070**	**18.69**	**372,840**	**16.26**	**254,763**	**16.46**
EXPENSES								
Salaries — Salesmen	41,375	1.93	29,038	1.86	38,517	1.68	21,062	1.36
Travel and Training	5,244	0.24	4,791	0.31	5,135	0.22	2,693	0.17
Advertising and Promotion	21,857	1.02	7,968	0.51	13,081	0.60	12,502	0.81
After Sales and Warranty Expense	14,063	0.65	9,974	0.64	10,652	0.46	5,768	0.37
TOTAL SALES EXPENSE	**82,539**	**3.84**	**51,771**	**3.31**	**68,105**	**2.97**	**42,025**	**2.71**
Salaries — Officers, Owners	42,790	1.99	35,632	2.28	46,183	2.01	27,572	1.78
Salaries Partsmen	43,098	2.01	35,886	2.30	46,857	2.04	26,105	1.69
Salaries Office and Others	29,856	1.39	20,676	1.32	30,952	1.35	14,198	0.92
Occupancy Expense	39,358	1.83	29,412	1.88	44,346	1.93	22,751	1.47
Heat, Light, Power, Water	8,666	0.40	6,902	0.44	10,426	0.45	7,321	0.47
Telephone and Telegraph	8,611	0.40	7,588	0.49	8,878	0.39	6,246	0.40
Office and Store Expense and Postage	16,757	0.78	15,765	1.01	16,123	0.70	10,618	0.69
Shop Supplies and Expense	8,431	0.39	6,483	0.41	11,216	0.49	9,492	0.61
Car and Truck Expense	21,409	1.00	15,480	0.99	20,959	0.91	13,027	0.84
Taxes — Except Payroll & Real Estate	3,676	0.17	4,447	0.28	5,472	0.24	3,838	0.25
Employee Benefits	51,845	2.41	36,487	2.33	40,862	1.78	30,819	1.99
Dues and Subscriptions	885	0.04	1,028	0.07	1,416	0.06	569	0.04
Insurance — Except Group & R.E.	20,118	0.94	18,909	1.21	24,016	1.05	12,714	0.82
Legal and Auditing	5,029	0.23	3,668	0.23	4,454	0.19	2,716	0.18
Interest & Bank Chgs — Except R.E.	24,616	1.15	18,248	1.17	27,375	1.19	22,848	1.48
Depreciation	15,958	0.74	11,848	0.76	19,733	0.86	8,441	0.55
Bad Debts	4,764	0.22	5,287	0.34	7,294	0.32	2,922	0.19
Contributions and Miscellaneous	2,152	0.10	3,359	0.21	3,483	0.15	837	0.05
TOTAL EXPENSE	**430,558**	**20.03**	**328,876**	**21.04**	**438,150**	**19.10**	**265,059**	**17.12**
NET PROFIT ON SALES	**(29,604)**	**(1.38)**	**(36,806)**	**(2.36)**	**(65,310)**	**(2.85)**	**(10,296)**	**(0.67)**
OTHER INCOME	**56,250**	**2.62**	**46,095**	**2.95**	**71,211**	**3.10**	**31,366**	**2.03**
NET OPERATING PROFIT OR LOSS – BEFORE INCOME TAXES –	**26,646**	**1.24**	**9,289**	**0.59**	**5,901**	**0.26**	**21,070**	**1.36**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 58,939	4.35	57,924	5.03	124,640	6.82	47,787	5.01
Customer Receivables	145,095	10.70	143,361	12.44	137,955	7.55	70,445	7.38
Factory & Other Receivables	36,473	2.69	36,437	3.16	39,546	2.16	6,461	0.68
TOTAL	**240,507**	**17.73**	**237,722**	**20.62**	**302,141**	**16.53**	**124,693**	**13.06**
INVENTORIES								
New Equipment	600,020	44.24	528,276	45.83	896,059	49.03	408,578	42.81
Used Equipment	157,131	11.59	88,579	7.68	168,077	9.20	146,919	15.39
Repair Parts	207,703	15.27	173,777	15.08	236,019	12.91	161,878	16.96
Other Lines	21,035	1.55	22,788	1.98	14,495	0.79	17,583	1.84
Rental or Lease	3,951	0.29	9,701	0.84	18,091	0.99	626	0.07
TOTAL INVENTORIES	**989,210**	**72.94**	**823,121**	**71.41**	**1,332,741**	**72.93**	**735,584**	**77.07**
TOTAL CURRENT ASSETS	**1,229,717**	**90.67**	**1,060,843**	**92.03**	**1,634,882**	**89.46**	**860,277**	**90.13**
Fixed Assets	103,689	7.65	72,105	6.26	124,583	6.82	76,904	8.06
Finance Reserve and Other Assets	22,800	1.68	19,754	1.71	68,050	3.72	17,290	1.81
TOTAL ASSETS	**1,356,206**	**100.00**	**1,152,702**	**100.00**	**1,827,515**	**100.00**	**954,471**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	115,850		56,810		91,207		76,322	
Floor Plan Notes Payable	562,282		584,158		923,028		435,257	
Notes Payable — Bank and Other	103,706		48,291		124,841		83,040	
Mortgages and Other Long Term	122,838		124,324		137,504		103,186	
TOTAL LIABILITIES	**904,676**	**66.71**	**813,583**	**70.58**	**1,276,580**	**69.85**	**697,805**	**73.11**
Net Worth	451,530	33.29	339,119	29.42	550,935	30.15	256,666	26.89
TOTAL LIABILITIES AND NET WORTH	**1,356,206**		**1,152,702**		**1,827,515**		**954,471**	

SEE PAGE 14
FOR IDENTIFICATION OF REGIONS

REGION 5		REGION 6		REGION 7		REGION 8		REGION 9		CANADA	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 875,304	42.88	838,933	42.68	795,445	39.23	708,269	38.24	940,530	37.33	1,868,721	49.90
428,731	21.00	439,262	22.35	490,151	24.17	428,053	23.11	374,684	14.87	956,514	25.54
1,304,035	63.88	1,278,195	65.03	1,285,596	63.41	1,136,322	61.35	1,315,214	52.20	2,825,235	75.44
489,190	23.96	486,421	24.75	490,583	24.20	515,155	27.81	767,008	30.44	604,361	16.14
186,482	9.14	145,057	7.38	174,808	8.62	164,172	8.86	258,405	10.26	232,608	6.21
46,950	2.30	42,963	2.19	63,963	3.15	28,108	1.52	122,419	4.86	59,078	1.58
14,666	0.72	12,903	0.66	12,631	0.62	8,525	0.46	56,418	2.24	23,783	0.64
2,041,323	**100.00**	**1,965,539**	**100.00**	**2,027,581**	**100.00**	**1,852,282**	**100.00**	**2,519,464**	**100.00**	**3,745,065**	**100.00**
76,962	8.79	61,801	7.37	56,096	7.05	58,914	8.32	120,303	12.79	145,457	7.78
30,118	7.02	7,991	1.82	17,110	3.49	9,079	2.12	10,687	2.85	30,536	3.19
107,080	8.21	69,792	5.46	73,206	5.69	67,993	5.98	130,990	9.96	175,993	6.23
139,108	28.44	140,173	28.82	137,884	28.11	155,960	30.27	224,841	29.31	166,756	27.59
82,000	43.97	65,836	45.39	79,196	45.30	70,734	43.09	121,661	47.08	102,120	43.90
6,607	14.07	5,562	12.95	11,179	17.48	4,158	14.79	17,691	14.45	9,099	15.40
6,711	45.76	9,464	73.35	8,694	68.83	3,716	43.59	13,812	24.48	10,406	43.75	
341,506	**16.73**	**290,827**	**14.80**	**310,159**	**15.30**	**302,561**	**16.33**	**508,995**	**20.20**	**464,374**	**12.40**
[illegible]	1.61	29,374	1.49	26,613	1.31	25,172	1.36	52,699	2.09	53,634	1.43
3,5[illegible]	0.17	3,654	0.19	3,616	0.18	3,798	0.21	7,294	0.29	7,568	0.20
14,507	0.71	[illegible],822	0.65	13,645	0.67	11,878	0.64	22,250	0.88	23,842	0.64
12,039	0.59	10,987	0.56	11,083	0.55	14,756	0.80	16,355	0.65	18,986	0.51
62,924	**3.08**	**56,837**	**2.89**	**54,957**	**2.71**	**55,604**	**3.00**	**98,598**	**3.91**	**104,030**	**2.78**
36,523	1.79	31,357	1.60	34,781	1.72	34,726	1.87	53,442	2.12	50,251	1.34
36,591	1.79	31,125	1.58	29,462	1.45	35,859	1.94	57,737	2.29	43,507	1.16
20,206	0.99	16,193	0.82	18,214	0.90	18,913	1.02	36,615	1.45	30,287	0.81
32,378	1.59	28,976	1.47	36,091	1.78	34,948	1.89	56,890	2.26	44,354	1.18
9,166	0.45	8,482	0.43	8,686	0.43	7,452	0.40	10,741	0.43	9,112	0.24
7,392	0.36	6,5[illegible]	0.33	6,853	0.34	5,935	0.32	12,069	0.48	11,728	0.31
13,691	0.67	13,954	0.71	12,253	0.60	11,694	0.63	20,222	0.80	16,699	0.45
9,593	0.47	7,944	0.40	8,800	0.43	9,767	0.53	17,290	0.69	12,571	0.34
18,971	0.93	15,830	0.81	16,779	0.83	16,456	0.89	29,342	1.16	32,053	0.86
2,199	0.11	1,297	0.07	2,237	0.11	5,248	0.28	5,235	0.21	2,070	0.06
41,805	2.05	32,419	1.65	33,694	1.66	32,600	1.76	59,523	2.36	26,455	0.71
1,239	0.06	802	0.04	794	0.04	798	0.04	1,503	0.06	864	0.02
16,520	0.81	17,518	0.89	15,707	0.77	18,323	0.99	24,014	0.95	12,893	0.35
3,816	0.19	3,171	0.16	3,700	0.18	3,161	0.17	7,915	0.31	5,233	0.14
23,543	1.15	21,074	1.07	21,989	1.08	17,822	0.96	38,149	1.51	30,456	0.81
11,331	0.56	11,312	0.58	11,424	0.56	10,790	0.58	21,618	0.86	17,435	0.47
7,664	0.38	4,552	0.23	3,664	0.18	8,121	0.44	9,666	0.38	3,130	0.08
2,105	0.10	3,285	0.17	2,017	0.10	1,698	0.09	2,659	0.11	2,298	0.06
357,657	**17.52**	**312,684**	**15.91**	**322,102**	**15.89**	**329,915**	**17.81**	**563,228**	**22.36**	**455,471**	**12.16**
(16,151)	**(0.79)**	**(21,857)**	**(1.11)**	**(11,943)**	**(0.59)**	**(27,354)**	**(1.48)**	**(54,233)**	**(2.15)**	**8,903**	**0.24**
46,453	**2.28**	**45,153**	**2.30**	**53,285**	**2.63**		**2.65**	**62,659**	**2.49**	**65,759**	**1.76**
30,302	**1.48**	**23,296**	**1.19**	**41,342**	**2.04**	**21,705**	**1.17**	**8,426**	**0.33**	**74,662**	**1.99**
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assest	Amount	% Total Assets	Amount	% Total Assets
83,633	6.69	78,389	6.51	57,129	4.66	74,798	6.54	96,005	5.28	57,279	2.61
108,304	8.67	70,464	5.86	74,729	6.10	92,610	8.10	234,798	12.92	136,721	6.23
16,151	1.29	16,865	1.40	24,214	1.98	32,030	2.80	21,099	1.16	45,431	2.07
208,088	**16.66**	**165,718**	**13.77**	**156,072**	**12.74**	**199,438**	**17.44**	**351,902**	**19.36**	**239,431**	**10.92**
498,327	39.89	502,639	41.77	439,569	35.89	406,321	35.52	715,351	39.35	1,058,303	48.26
213,872	17.12	200,521	16.66	232,028	18.94	175,462	15.34	222,931	12.26	407,104	18.57
192,110	15.38	214,276	17.81	188,904	15.42	176,338	15.42	277,748	15.28	225,564	10.29
15,640	1.25	12,086	1.00	35,089	2.86	18,329	1.60	36,315	2.00	35,739	1.63
7,854	0.63	2,434	0.20	3,247	0.27	240	0.02	27,857	1.53	18,337	0.84
927,803	**74.26**	**931,956**	**77.45**	**898,837**	**73.39**	**776,690**	**67.90**	**1,280,202**	**70.43**	**1,745,047**	**79.58**
1,135,891	**90.92**	**1,097,674**	**91.22**	**1,054,909**	**86.13**	**976,128**	**85.34**	**1,632,104**	**89.79**	**1,984,478**	**90.50**
82,775	6.63	74,122	6.16	112,322	9.17	105,201	9.20	151,514	8.34	175,726	8.01
30,687	2.46	31,472	2.62	57,522	4.70	62,494	5.46	34,163	1.88	32,602	1.49
1,249,353	**100.00**	**1,203,268**	**100.00**	**1,224,753**	**100.00**	**1,143,823**	**100.00**	**1,817,781**	**100.00**	**2,192,806**	**100.00**
106,930		84,594		114,670		71,065		135,007		114,601	
568,418		581,112		503,714		468,932		756,875		1,211,738	
82,477		83,882		65,918		77,536		110,426		148,666	
124,893		100,934		169,337		112,646		215,306		204,523	
882,721	**70.65**	**850,522**	**70.68**	**853,639**	**69.70**	**730,179**	**63.84**	**1,217,614**	**66.98**	**1,679,528**	**76.59**
366,632	29.35	352,746	29.32	371,114	36.16	413,644	36.16	600,167	33.02	513,278	23.41
1,249,353		**1,203,268**		**1,224,753**		**1,143,823**		**1,817,781**		**2,192,806**	

AGRICULTURAL DEALER FIXED ASSETS BY SALES VOLUME SIZE

Averages of fixed assets shown below are straight averages for all reporting dealers — both owners and renters. Considering only the dealers who own land and buildings used in their business, the average values would be approximately twice the amounts shown below for these assets. The same holds true for leasehold improvements.

	VOLUME GROUP "A" SALES UNDER 1,000,000		VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$42,016	$36,846	$68,565	$69,416
Leasehold Improvements	2,663	77	6,842	12,688
Shop and Office Equipment	21,944	20,765	33,438	28,772
Furniture and Fixtures	10,116	11,773	21,893	20,541
Cars, Trucks and Other Vehicles	39,212	36,178	68,709	63,626
Reserve for Depreciation	72,732 –	64,519 –	128,086 –	113,264 –
Net Book Value Fixed Assets	43,219	41,120	71,361	81,779

	VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000		VOLUME GROUP "D" SALES OVER $3,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$120,687	$103,842	$187,505	$151,693
Leasehold Improvements	6,898	5,377	19,944	9,649
Shop and Office Equipment	49,241	44,217	76,474	77,761
Furniture and Fixtures	31,861	27,835	47,979	33,639
Cars, Trucks and Other Vehicles	100,938	106,008	156,533	138,439
Reserve for Depreciation	188,301 –	169,124 –	274,549 –	219,748 –
Net Book Value Fixed Assets	121,324	118,155	213,886	191,433

	NATIONAL ALL DEALERS	
	AVERAGE	HIGH PROFIT
Land and Buildings	$102,881	$92,463
Leasehold Improvements	9,209	7,923
Shop and Office Equipment	44,860	42,249
Furniture and Fixtures	27,966	23,861
Cars, Trucks and Other Vehicles	90,845	85,381
Reserve for Depreciation	165,141 –	142,506 –
Net Book Value Fixed Assets	110,620	109,371

REGIONAL MEMBERSHIP — U.S.
(As of January 1, 1987)

Region 1 – 1,061
Mar-Del-Va
New England
New Jersey
New York
Pennsylvania
Virginia

Region 2
Alabama
Carolinas
Deep South
Georgia
Southern

Region 3 — 86
Mid-South
Southwest

Region 4 — 843
Indiana
Kentucky
Ohio

Region 5 — 930
Illinois
Michigan
Wisconsin

Region 6 — 930
Minnesota-South Dakota
North Dakota

Region 7 — 671
Iowa-Nebraska

Region 8 — 692
Mississippi Valley
Western

Region 9 — 659
Far West
Intermountain
Montana
Mountain States
Pacific Northwest

Region 10 (Canada) — 1,180
Alberta-British Columbia
Ontario
Saskatchewan-Manitoba

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 10, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

ASSOCIATIONS SERVING DEALERS IN NORTH AMERICA

ALABAMA FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 431, Luverne, AL 36049

FARM EQUIPMENT DEALERS ASSOCIATION OF ALBERTA/BRITISH COLUMBIA
3801 G-21st St. NE, Calgary, Albt., T2E 6T5 Canada

CAROLINAS FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Drawer 3776 — 211 Broad St., Wilson, NC 27893

DEEP SOUTH EQUIPMENT DEALERS ASSOCIATION
P.O. Box 1191, Baton Rouge, LA 70821

FAR WEST EQUIPMENT DEALERS ASSOCIATION
1601 N. Main St., Suite 202, Walnut Creek, CA 94596

ILLINOIS RETAIL FARM EQUIPMENT ASSOCIATION
P.O. Box 1227, Peoria, IL 61654

INDIANA IMPLEMENT DEALERS ASSOCIATION
9800 Association Court, Indianapolis, IN 46280

INTERMOUNTAIN ASSOCIATION OF HARDWARE & IMPLEMENT DEALERS
2230 Main St., Boise, ID 83702

IOWA-NEBRASKA FARM EQUIPMENT ASSOCIATION
2716 Grand Ave., Des Moines, IA 50312

KENTUCKY FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 3525, Louisville, KY 40201-3525

MAR-DEL-VA FARM & POWER EQUIPMENT ASSOCIATION
2400 Valley Ave., Room 3, Winchester, VA 22601

MICHIGAN EQUIPMENT DEALERS ASSOCIATION
P.O. Box 26008, Lansing, MI 48909

MID-SOUTH FARM EQUIPMENT ASSOCIATION
P.O. Box 17777, Memphis, TN 38187-0777

FARM EQUIPMENT ASSOCIATION OF MINNESOTA-SOUTH DAKOTA
129 East Broadway, Owatonna, MN 55060

MISSISSIPPI VALLEY FARM EQUIPMENT ASSOCIATION
Suite 300, 10877 Watson Rd., St. Louis, MO 63127

MONTANA HARDWARE & IMPLEMENT ASSOCIATION
34 W. Sixth St., P.O. Box 440 Helena, MT 59624

MOUNTAIN STATES HARDWARE & IMPLEMENT ASSOCIATION
1380 Carr Street, Lakewood, CO 80215

NEW ENGLAND EQUIPMENT DEALERS ASSOCIATION
50 Page Road, Bow, NH 03301

NEW JERSEY LAWN, INDUSTRIAL & FARM EQUIPMENT DEALERS ASSOCIATION
P.O. Box 7071, West Trenton, NJ 08628

NEW YORK FARM EQUIMENT DEALERS ASSOCIATION
3 Broad St., Hamilton, NY 13346

NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION
P.O. Box 2524, Fargo, ND 58108

OHIO ASSOCIATION OF FARM & POWER EQUIPMENT RETAILERS
P.O. Box 68, Dublin, OH 43017

ONTARIO RETAIL FARM EQUIPMENT DEALERS ASSOCIATION
3601 Lawrence Ave. East — Ste. 205, Scarborough, Ont. M1G 1P5 Canada

PACIFIC NORTHWEST HARDWARE & IMPLEMENT ASSOCIATION
333 SW 5th Avenue, Room 606, Portland, OR 97204

PENNSYLVANIA FARM & POWER EQUIPMENT ASSOCIATION
4605 Locust Lane, Harrisburg, PA 17109-4494

SASKATCHEWAN MANITOBA IMPLEMENT DEALERS ASSOCIATION
366A Edson St., Sub. P.O. 18, Saskatoon, Sask. S7H OYO Canada

SOUTHEASTERN FARM & POWER EQUIPMENT ASSOCIATION, INC.
428 Academy Ave., Dublin, GA 31021

SOUTHERN ASSOCIATION
2111 Smith St., Orange Park, FL 32073

SOUTHWEST HARDWARE & IMPLEMENT ASSOCIATION
4629 Mark IV Parkway, Ft. Worth, TX 76106

VIRGINIA FARM & INDUSTRIAL EQUIPMENT DEALERS ASSOCIATION
10806 Trade Rd., Southport Industrial Park, Richmond, VA 23236

WESTERN RETAIL IMPLEMENT & HARDWARE ASSOCIATION
P.O. Box 419264, Kansas City, MO 64141

WISCONSIN FARM EQUIPMENT ASSOCIATION
P.O. Box 4364, Madison, WI 53711

in cooperation with

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
10877 Watson Road • St. Louis, Missouri 63127